

**TUACAHN HIGH SCHOOL
FOR THE PERFORMING ARTS**
(NONPROFIT ORGANIZATION)
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2005

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
BASIC FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 8
SUPPLEMENTARY DATA:	
Statement of Functional Expenses	10
Statement of Activities - Budget to Actual (Budgetary Basis)	11
Independent Auditor's Report On Compliance and on Internal Control Over Financial Reporting Based On An Audit Of Basic Financial Statements Performed In Accordance With Government Auditing Standards	12 - 13
Independent Auditor's Report On State Legal Compliance	14 - 15
Management Letter	16 - 17



INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF
TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS

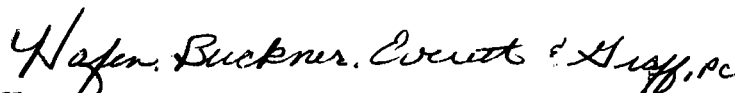
We have audited the accompanying statement of financial position of Tuacahn High School for the Performing Arts (a nonprofit organization) as of June 30, 2005 and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tuacahn High School for the Performing Arts as of June 30, 2005 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2006, on our consideration of Tuacahn High School for the Performing Arts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Tuacahn High School for the Performing Arts taken as a whole. The accompanying information on pages 10 and 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except the allocation between programs on the statement of functional expenses, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


HAFEN, BUCKNER, EVERETT & GRAFF, PC
January 9, 2006

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005

ASSETS

Current Assets:

Cash and Cash Equivalents (Note 2)	\$ 226,939
Inventory (Note 3)	<u>6,994</u>
Total Current Assets	<u>233,933</u>

Fixed Assets (Note 1):

Computer Equipment	98,417
Equipment	25,975
Furniture & Fixtures	13,322
Vehicles	3,000
Leasehold Improvements	7,533
Less: Accumulated Depreciation	<u>(82,084)</u>
Net Fixed Assets	<u>66,163</u>

TOTAL ASSETS	<u>\$ 300,096</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 16,555
Accrued Payroll and Liabilities (Note 4)	35,242
Deferred Revenue (Note 5)	<u>13,500</u>
Total Current Liabilities	<u>65,297</u>

Net Assets:

Restricted	-
Unrestricted:	
Designated	10,000
Undesignated	158,636
Fixed Assets	<u>66,163</u>
Total Net Assets	<u>234,799</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 300,096</u>

The Accompanying Notes are an Integral Part of the Financial Statements

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Unrestricted</u>
Support And Revenue	
Support:	
Grants and Contracts	\$ 159,197
State Revenue	858,243
Donations	24,390
Total Support	<u>1,041,830</u>
Revenue:	
Tuition	-
Student Application Fees	24,065
Student Activity Fees	63,333
Interest Income	1,289
Total Revenue	<u>88,687</u>
Total Support And Revenue	<u>1,130,517</u>
Expenses	
Program	763,634
General and Administrative	309,425
Fund Raising	-
Loss of Disposal of Assets	688
Total Expenses	<u>1,073,747</u>
Change in Net Assets	56,770
Net Assets, Beginning of Year	<u>178,029</u>
Net Assets, End of Year	<u>\$ 234,799</u>

The Accompanying Notes are an Integral Part of the Financial Statements

TUACAHN HIGH FOR THE PERFORMING ARTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

Cash Flows Used For Operating Activities:

Change in Net Assets	\$ 56,770
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	21,674
Loss on disposal of assets	688
(Increase) / Decrease in accounts receivable	56
(Increase) / Decrease in inventory	-
Increase / (Decrease) in accounts payable	11,871
Increase / (Decrease) in accrued payroll and liabilities	6,292
Increase / (Decrease) in deferred revenue	<u>(4,595)</u>
Net cash provided by operating activities	<u>92,756</u>

Cash Flows From Investing Activities:

Purchase of fixed assets	<u>(34,823)</u>
Net cash used for investing activities	<u>(34,823)</u>

Net Increase in Cash and Cash Equivalents 57,933

Cash and Cash Equivalents - July 1, 2004 169,006

Cash and Cash Equivalents - June 30, 2005 \$ 226,939

The Accompanying Notes are an Integral Part of the Financial Statements

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

BACKGROUND

Tuacahn High School for the Performing Arts (the School) was organized in November of 1998 and opened in August of 1999. The School is a subsidiary of the Tuacahn Center for the Arts (the Center) and operates as a non-profit, 501(c)(3) organization. The School's mission is to educate its students to their highest level of achievement in all areas of learning so they become responsible, productive citizens who engage in the pursuit of lifelong learning and practice democratic values.

GENERAL

The accompanying financial statements of Tuacahn High School for the Performing Arts have been prepared on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

FINANCIAL STATEMENT PRESENTATION

The School adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 1999. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The adoption had no cumulative effect on net assets at the date of the adoption. In addition, the School has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

FIXED ASSETS

The School rents its facility from the Tuacahn Center for the Arts. Because the building is owned by the Center, no amounts have been recorded for land or building on these financial statements.

The School follows the practice of capitalizing all expenditures for property, furniture, fixtures and office equipment in excess of \$500 and all improvements in excess of \$1,000. Depreciation of physical properties is calculated on the straight line basis over the following estimated useful lives:

Computer Equipment	3 - 7 Years
Equipment	5 - 7 Years
Furniture & Fixtures	7 Years
Vehicles (Used)	5 Years
Leasehold Improvements	40 Years

The net fixed asset balance has been recorded as a separate component in unrestricted net assets. Depreciation expense for the year ended June 30, 2005 was \$21,674.

FUNDING

The School receives most of its funding from the State Office of Education based on the Weighted Pupil Units calculation. The School also receives tuition from students who are not residents of Utah.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DESCRIPTION OF PROGRAMS

Able to teach 225 students, the School's goal is to create graduates who are proficient at critical thinking, problem solving, and communication skills through a uniquely structured environment which emphasizes student success, citizenship and traditional values. The School's curriculum was designed to provide an accelerated academic program for high-functioning students with special interests in the performing arts. Other subject matter will include classes in English, mathematics, science, social studies, and foreign languages. The School's outstanding faculty of master teachers will be complemented by a cadre of adjunct consultants, practicing professional musicians, dancers, actors and directors from the Utah and Nevada performing arts communities.

USE OF ESTIMATES

The School uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

NOTE 2: CASH

The School considers all highly liquid debt instruments purchased with a maturity of one year or less to be cash equivalents. At June 30, 2005, the carrying amount of the School's cash was \$226,914 and the bank balances were \$262,333. The School's bank balances were in excess of Federal Depository Insurance by \$62,333 as of June 30, 2005. Deposits are not collateralized nor are they required to be.

NOTE 3: INVENTORY

The School operates a small bookstore on its facility, selling school uniforms and other miscellaneous school items. Inventories are stated at cost using the average cost method.

NOTE 4: ACCRUED PAYROLL AND LIABILITIES

Teachers at the School have the option of having their salary paid over the twelve months, even though school is only in session for ten months. Because of this, the salary for the current school year that is paid subsequent to June 30, 2005 is recorded as accrued payroll. As of June 30, 2005, \$35,242 had been accrued for payroll and related liabilities, and of this amount \$10,283 was payable to a related party who pays payroll taxes and health insurance expenses for the School (see Note 6).

NOTE 5: DEFERRED REVENUE

As of June 30, 2005, \$13,500 had been received from students for registration fees for the next school year.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6: RELATED PARTY TRANSACTIONS

As noted in Note 1, the School is a subsidiary of the Tuacahn Center for the Arts (The Center). The School enters into several transactions with the Center. These related party transactions include the payment of payroll related liabilities and other expenses by the Center and the reimbursement of these expenses by the School. The School owed the Center \$10,283 of accrued liabilities (see Note 4) as of the date of the financial statements. Other related party transactions include the rental of the School's facility from the Center for \$100,400.

NOTE 7: COMPENSATED ABSENCES

The School has not recorded a liability for unpaid vacation or sick pay as such accrual cannot be reasonably estimated and would not have a material effect on the financial statements.

NOTE 8: RETIREMENT PLAN

PLAN DESCRIPTION

The School contributes to the State and School Contributory Retirement System and the State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (the Systems). Utah Retirement Systems provides refunds, retirements benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code Annotated 1953* as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102, or by calling (800) 365-8772.

FUNDING POLICY

Plan members in the State and School Noncontributory Retirement System are required to contribute 10.4% of their annual covered salary. The contribution rates are actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. Under the *Internal Revenue Code* Section 401(k), the School participates in a defined contribution plan for employees enrolled in the Systems. This plan covers all employees with the Noncontributory System. These contributions represent 1.50% of covered salaries and vest immediately. They may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The contribution requirements of the Systems are authorized by statute and specified by the Board.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 8: RETIREMENT PLAN (CONTINUED)

The School contributions to the State and School Noncontributory Retirement System for the years ending June 30, 2005, 2004, and 2003 were as follows:

<u>System</u>	<u>Year</u>	<u>Employee Paid Contributions</u>	<u>Employer Paid for Employee Contributions</u>	<u>Employer Contributions</u>	<u>Salary Subject to Retirement Contributions</u>
State and School- Noncontributory	2005	\$ N/A	\$ N/A	\$ 49,470	\$ 369,728
	2004	N/A	N/A	41,726	356,633
	2003	N/A	N/A	33,602	323,102
401(k) Contributions	2005	12,197	7,702	N/A	369,728
	2004	17,887	5,349	N/A	356,633
	2003	12,266	4,847	N/A	323,102

The contributions were equal to the required contributions for each year.

NOTE 9: ADJUSTMENTS TO BUDGET BASIS

The School's Statement of Activities on page 3 has been prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP). The Statement of Activities - Budget to Actual (Budgetary Basis) on page 12 has been prepared on a budgetary basis, not GAAP.

Since the School's budget is prepared on a basis that differs from GAAP, adjustments were necessary for comparability purposes. Listed below are the more significant of these adjustments. The School budgets capital expenditures as expenses and does not budget for depreciation expense. These adjustments were made to actual expenditures in order to compare them to the legally adopted budget.

The following schedule is a reconciliation of the budgetary and GAAP fund balances:

Fund Balance - Budgetary Basis	\$ 222,338
Adjustments:	
Capitalized Computers & Equipment	34,823
Depreciation Expense	(21,674)
Loss on Disposal of Assets	(688)
Fund balance - GAAP Basis	<u>\$ 234,799</u>

NOTE 10: SUBSEQUENT EVENTS

On August 16, 2005, a former employee of the School filed a lawsuit for \$1 million against the Center's COO and CEO for defamation and other related claims. Although the School was not named as a defendant, the claimant's counsel has threatened to include the School. The School has prepared and expects to file a countersuit for breach of duty and related claims. Two insurance companies have accepted coverage on this lawsuit. The legal counsel feels that the case is in its initial phases and it is too early to predict the outcome of this matter, and management currently believes the actions will not materially affect the financial position of The School. No contingent liabilities have been recorded in relation to this lawsuit.

SUPPLEMENTARY DATA

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

	Program	General and Administrative	Fund Raising	Total
Salaries & Wages	\$ 329,057	\$ 179,812	\$ -	\$ 508,869
Employee Benefits & Payroll Taxes	147,899	70,456	-	218,355
Professional Fees & Services	69,930	28,159	-	98,089
Supplies	67,873	4,844	-	72,717
Text Books	6,966	-	-	6,966
Computers & Equipment	8,888	2,467	-	11,355
Library Books & Supplies	3,046	-	-	3,046
Student Activities	3,862	-	-	3,862
Dues & Fees	180	1,741	-	1,921
Repairs & Maintenance	-	1,844	-	1,844
Telephone	1,437	531	-	1,968
Rent & Utilities	95,380	5,020	-	100,400
Insurance	6,171	-	-	6,171
Marketing & Advertising	965	726	-	1,691
Travel	7,892	6,239	-	14,131
Total Expenses Before Depreciation	749,546	301,839	-	1,051,385
Depreciation	14,088	7,586	-	21,674
Total Expenses	<u>\$ 763,634</u>	<u>\$ 309,425</u>	<u>\$ -</u>	<u>1,073,059</u>
Loss on Disposal of Assets				<u>688</u>
TOTAL				<u><u>\$ 1,073,747</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
STATEMENT OF ACTIVITIES - BUDGET TO ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2005

	Actual on Budgetary Basis <u>See Footnote 2</u>	Budget	Favorable/ (Unfavorable)
Revenue			
State Revenue	\$ 858,243	\$ 914,409	\$ (56,166)
Federal Revenue	159,197	38,000	121,197
Contributions, Fundraising & Donations	24,390	12,000	12,390
Student Fees	24,065	27,000	(2,935)
Student Activities	63,333	10,000	53,333
Interest Income	1,289	-	1,289
Total Revenue	<u>1,130,517</u>	<u>1,001,409</u>	<u>129,108</u>
Expenses			
Salaries & Wages	508,869	497,720	(11,149)
Employee Benefits & Payroll Taxes	218,355	229,603	11,248
Instructional Supplies & Materials	74,044	52,383	(21,661)
Text Books	6,966	14,400	7,434
Computers & Equipment	46,178	28,572	(17,606)
Curriculum Enhancement	1,921	4,412	2,491
Purchased Services - Advertising, Communication, Transportation, Repairs, Technology, Etc.	100,236	38,096	(62,140)
Library Books & Supplies	3,046	5,000	1,954
Administrative Supplies & Materials	4,844	19,048	14,204
Facilities Expenses - Rent, Custodial, Maintenance, Utilities, Telephone, Etc.	102,368	100,800	(1,568)
Travel	14,131	4,500	(9,631)
Audit	5,250	5,250	-
Depreciation	-	-	-
Total Expenses	<u>1,086,208</u>	<u>999,784</u>	<u>(86,424)</u>
Excess/(Deficit) of Revenue Over Expenses	44,309	1,625	42,684
Beginning Fund Balance	<u>178,029</u>	<u>178,029</u>	<u>-</u>
Ending Fund Balance	<u>\$ 222,338</u>	<u>\$ 179,654</u>	<u>\$ 42,684</u>

The Accompanying Notes are an integral Part of the Financial Statements



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TO THE BOARD OF
TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS

We have audited the financial statements of Tuacahn High School for the Performing Arts (a nonprofit organization) as of and for the year ended June 30, 2005 and have issued our report thereon dated January 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Tuacahn High School for the Performing Arts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Tuacahn High School for the Performing Arts in a separate letter dated January 9, 2006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tuacahn High School for the Performing Arts' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Tuacahn High School for the Performing Arts in a separate letter dated January 9, 2006.

This report is intended solely for the information and use of the board of directors, management, others within the organization and the State of Utah Office of Education and is not intended to be and should not be used by anyone other than these specified parties.

Hafen, Buckner, Everett & Graff, PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
January 9, 2006



INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

TO THE BOARD OF
TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS

We have audited the financial statements of Tuacahn High School for the Performing Arts, a nonprofit organization, for the year ended June 30, 2005, and have issued our report thereon dated January 9, 2006. As part of our audit, we have audited Tuacahn High School for the Performing Arts' compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; special tests and provisions applicable to its major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. Tuacahn High School for the Performing Arts received the following major State assistance program from the State of Utah:

Minimum School Program (State Office of Education)

Tuacahn High School for the Performing Arts did not receive any nonmajor State grants during the year ended June 30, 2005.

The management of Tuacahn High School for the Performing Arts is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Tuacahn High School for the Performing Arts' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Tuacahn High School for the Performing Arts complied, in all material respects, with the requirements, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2005.

Hafen, Buckner, Everett & Graff, PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
January 9, 2006



January 9, 2006

TO THE BOARD OF DIRECTORS
TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
IVINS, UT

In planning and performing our audit of the financial statements of Tuacahn High School for the Performing Arts for the year ended June 30, 2005, we considered the School's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. (We previously reported on the School's internal control in our report dated January 9, 2006.) This letter does not affect our report dated January 9, 2006, on the financial statements of Tuacahn High School for the Performing Arts.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various School personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

SUPPORT FOR DEPOSITS

After our suggestion, the School began to issue pre-numbered receipts for amounts received from students, parents, or faculty. The School also prepares a deposit slip to indicate accounts to be used when posting the deposit into the accounting program and the receipt numbers being deposited, as a way to trace receipts to the bank statement. However, there were several deposit slips that did not indicate which receipt numbers they correspond to. Also, the receipts don't appear to be issued in sequential order.

We recommend that the School continue to use pre-numbered receipts for all money collected, and we recommend that the School document the range of receipts that make up each deposit that is taken to the bank. We also recommend that the receipts be issued in sequential order as a control that all receipts issued are referenced to a bank deposit

FIXED ASSET TAGS

The School maintains a fixed asset listing of all assets owned by the School. This listing includes the purchase date, description, and cost of each asset. However, the School does not have all School assets tagged to indicate that they belong to the School or to allow comparison between the actual assets on hand and the assets indicated in depreciation records.

We recommend that all fixed assets of the School be tagged with pre-numbered asset tags indicating that the assets are the property of the School and that a listing of such assets be maintained.

RECONCILIATION OF ACCOUNTS

The School uses Quick Books software for their accounting records. Several accounts within the School's records did not appear to have been reconciled to ensure that the ending balances were correct.

We recommend that all balance sheet accounts are reconciled at least annually to ensure that balances are correct.

APPROVAL FOR PAYMENTS

During the course of the audit, we found at least one instance where a payment was made without the proper approval.

We recommend that all payments be approved prior to payment.

STATUS OF PRIOR YEARS FINDINGS:

The School prepared a proper budget and obtained written documentation of any agreements with the Tuacahn Center for the Arts, as recommended in the prior year. Findings which were noted again have been included in the current year's findings.

We wish to thank the School's personnel for their support and assistance during the course of our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the School and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss these matters with you further at your convenience.

Yours truly,

Hafen, Buckner, Everett & Graff, PC
HAFEN, BUCKNER, EVERETT & GRAFF, PC